

2002 Second Extraordinary Session  
of the  
Seventy-Ninth General Assembly  
of the  
State of Iowa

HELD AT DES MOINES, THE CAPITAL OF THE STATE

SECOND EXTRAORDINARY SESSION HELD ON THE TWENTY-EIGHTH DAY OF MAY, A.D. 2002  
IN THE ONE HUNDRED FIFTY-SIXTH YEAR OF THE STATE

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**CHAPTER 1001**

MISCELLANEOUS APPROPRIATIONS, REDUCTIONS, TRANSFERS,  
AND OTHER PROVISIONS — FISCAL YEAR 2001-2002

*H.F. 2625*

**AN ACT** addressing public funding provisions and properly related matters by making, reducing, and transferring appropriations, adjusting other expenditures for the fiscal year beginning July 1, 2001, and including other appropriations, cooperative tax credits, and effective and retroactive applicability date provisions.

*Be It Enacted by the General Assembly of the State of Iowa:*

DIVISION I  
GENERAL FUND TRANSFERS

Section 1. 2002 Iowa Acts, Senate File 2304,<sup>1</sup> section 15, is amended to read as follows:

SEC. 15. ENVIRONMENT FIRST FUND. Notwithstanding section 8.57A, subsection 3, there is transferred from the environment first fund created in section 8.57A to the general fund of the state for the fiscal year beginning July 1, 2001, and ending June 30, 2002, the following amount:

|       |    |                  |
|-------|----|------------------|
| ..... | \$ | 3,000,000        |
|       |    | <u>4,700,000</u> |

Sec. 2. IOWA ECONOMIC EMERGENCY FUND.

1. There is appropriated from the Iowa economic emergency fund created in section 8.55 to the general fund of the state for the fiscal year beginning July 1, 2001, and ending June 30, 2002, the following amount, or so much thereof as is necessary:

|       |    |             |
|-------|----|-------------|
| ..... | \$ | 105,000,000 |
|-------|----|-------------|

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<sup>1</sup> 2002 Iowa Acts, Regular Session, chapter 1166 herein

2. The appropriation made in this section is declared to be made for emergency expenditures as required in section 8.55, subsection 3, paragraph "a".

Sec. 3. CASH RESERVE FUND.

1. Notwithstanding section 8.56, subsection 4, paragraph "a", there is appropriated from the cash reserve fund to the general fund of the state for the fiscal year beginning July 1, 2001, and ending June 30, 2002, the following amount, or so much thereof as is necessary:

..... \$ 90,000,000

2. The appropriation made in this section is declared to be made for nonrecurring emergency expenditures as required in section 8.56, subsections 3 and 4.

Sec. 4. TERMINAL LIABILITY HEALTH INSURANCE FUND. Notwithstanding section 421.46, there is transferred from the terminal liability health insurance fund created in section 421.46 to the general fund of the state for the fiscal year beginning July 1, 2001, and ending June 30, 2002, the following amount:

..... \$ 133,000

Sec. 5. REGENTS INFRASTRUCTURE. Of the moneys appropriated to the state board of regents in 1997 Iowa Acts, chapter 215, section 23, subsection 1, and allocated for phase II construction of the engineering teaching and research complex at Iowa state university of science and technology, there is transferred to the general fund of the state for the fiscal year beginning July 1, 2001, and ending June 30, 2002, the following amount:

..... \$ 7,000,000

Sec. 6. STATE BOARD OF REGENTS — ENGINEERING COMPLEX — BONDING.

There is appropriated from the rebuild Iowa infrastructure fund to the state board of regents for the fiscal year beginning July 1, 2003, and ending June 30, 2004, the following amount, or so much thereof as is necessary, to be used for the purpose designated:

For repayment of the bonding for the phase II construction of the engineering teaching and research complex at Iowa state university of science and technology, as authorized in this section:

..... \$ 7,000,000

Moneys appropriated in this section are not subject to transfer.

1. The state board of regents is authorized to issue bonds as provided in chapter 262A in an amount not exceeding \$7 million, except as provided in subsection 2, to undertake and carry out completion of the engineering teaching and research phase II construction at Iowa state university of science and technology and to finance the remaining cost of the project.

2. Notwithstanding the limitation established in subsection 1, the amount of bonds issued as authorized in subsection 1 may be exceeded by the amount the state board of regents determines to be necessary to capitalize interest, bond reserves, and issuance costs.

Sec. 7. CONTINGENT APPROPRIATION.

1. For purposes of determining the balance of the Iowa economic emergency fund available for making an appropriation to the general fund pursuant to section 8.55, subsection 3, paragraph "c", an amount equal to the \$25,000,000 appropriation in 2002 Iowa Acts, Senate File 2315,<sup>2</sup> section 5, subsection 2, shall be considered to be obligated. For the fiscal year beginning July 1, 2001, and ending June 30, 2002, in addition to an appropriation made pursuant to section 8.55, subsection 3, paragraph "c", there is appropriated from the cash reserve fund an amount equal to the difference between \$50 million and the amount appropriated from the Iowa economic emergency fund as authorized by section 8.55, subsection 3, paragraph "c".

2. Notwithstanding section 8.55, subsection 3, paragraph "d", an appropriation shall not be made from the general fund of the state to the Iowa economic emergency fund for the following fiscal year due to an appropriation being made pursuant to section 8.55, subsection 3, paragraph "c", or subsection 1 of this section.

<sup>2</sup> 2002 Iowa Acts, Regular Session, chapter 1167 herein

Sec. 8. CASH RESERVE APPROPRIATION FOR FY 2002-2003. For the fiscal year beginning July 1, 2002, and ending June 30, 2003, the appropriation to the cash reserve fund provided in section 8.57, subsection 1, paragraph "a", shall not be made. However, any surplus in the general fund of the state for the fiscal year beginning July 1, 2002, and ending June 30, 2003, shall be transferred to the cash reserve fund.

Sec. 9. LEGISLATIVE PER DIEM PAYMENT. Notwithstanding section 2.10, subsection 6, for the special session that convenes May 28, 2002, the members of the general assembly are not entitled to and shall not receive the sum of eighty-six dollars per day for each day the general assembly is actually in special session, but shall receive the same travel allowances and expenses as authorized by section 2.10. This section is retroactively applicable to May 28, 2002.

DIVISION II  
MEDICAL ASSISTANCE PROGRAM TRANSFERS

Sec. 10. SPECIAL CONSERVATION FUND — SNOWMOBILE FEES. Notwithstanding section 321G.7, there is transferred from snowmobile fees credited to the special conservation fund created in section 321G.7 to the department of human services for the fiscal year beginning July 1, 2001, and ending June 30, 2002, the following amount to be used for the purpose designated:

For medical assistance reimbursement and associated costs in accordance with law:  
..... \$ 950,000

Sec. 11. SPECIAL CONSERVATION FUND — ALL-TERRAIN VEHICLE FEES. Notwithstanding section 321G.7, there is transferred from all-terrain vehicle fees credited to the special conservation fund created in section 321G.7 to the department of human services for the fiscal year beginning July 1, 2001, and ending June 30, 2002, the following amount to be used for the purpose designated:

For medical assistance reimbursement and associated costs in accordance with law:  
..... \$ 775,000

Sec. 12. ENVIRONMENT FIRST FUND. Notwithstanding section 8.57A, subsection 3, there is transferred from the environment first fund created in section 8.57A to the department of human services for the fiscal year beginning July 1, 2001, and ending June 30, 2002, the following amount to be used for the purpose designated:

For medical assistance reimbursement and associated costs in accordance with law:  
..... \$ 1,000,000

Sec. 13. STRATEGIC INVESTMENT FUND. Notwithstanding section 15.313, subsection 2, there is transferred from the strategic investment fund created in section 15.313 to the department of human services for the fiscal year beginning July 1, 2001, and ending June 30, 2002, the following amount to be used for the purpose designated:

For medical assistance reimbursement and associated costs in accordance with law:  
..... \$ 2,000,000

Sec. 14. PHYSICAL INFRASTRUCTURE ASSISTANCE FUND. Notwithstanding section 15E.175, subsection 2, there is transferred from the physical infrastructure assistance fund created in section 15E.175 to the department of human services for the fiscal year beginning July 1, 2001, and ending June 30, 2002, the following amount to be used for the purpose designated:

For medical assistance reimbursement and associated costs in accordance with law:  
..... \$ 2,500,000

Sec. 15. ALTERNATIVE DRAINAGE SYSTEM ASSISTANCE FUND. Notwithstanding section 159.29A, subsection 3, there is transferred from the alternative drainage system assistance fund created in section 159.29A to the department of human services for the fiscal year beginning July 1, 2001, and ending June 30, 2002, the following amount to be used for the purpose designated:

For medical assistance reimbursement and associated costs in accordance with law:  
 ..... \$ 1,100,000

Sec. 16. TERMINAL LIABILITY HEALTH INSURANCE FUND. Notwithstanding section 421.46, there is transferred from the terminal liability health insurance fund created in section 421.46 to the department of human services for the fiscal year beginning July 1, 2001, and ending June 30, 2002, the following amount to be used for the purpose designated:

For medical assistance reimbursement and associated costs in accordance with law:  
 ..... \$ 325,000

Sec. 17. AIRPORT ENGINEERING STUDIES AND IMPROVEMENT PROJECTS. There is transferred from the appropriation to the state department of transportation for airport engineering studies and improvement projects in 2001 Iowa Acts, chapter 180, section 1, subsection 1, to the department of human services for the fiscal year beginning July 1, 2001, and ending June 30, 2002, the following amount to be used for the purpose designated:

For medical assistance reimbursement and associated costs in accordance with law:  
 ..... \$ 347,000

DIVISION III  
 TRANSFERS FOR OTHER PURPOSES

Sec. 18. TERMINAL LIABILITY HEALTH INSURANCE FUND — INDIGENT DEFENSE. Notwithstanding section 421.46, there is transferred from the terminal liability health insurance fund created in section 421.46 to the office of the state public defender of the department of inspections and appeals for the fiscal year beginning July 1, 2001, and ending June 30, 2002, the following amount to be used for the purpose designated:

For indigent defense costs:  
 ..... \$ 2,740,000

Sec. 19. ENVIRONMENT FIRST FUND — STATE APPEAL BOARD CLAIMS. Notwithstanding section 8.57A, subsection 3, there is transferred from the environment first fund created in section 8.57A, to the state appeal board for the fiscal year beginning July 1, 2001, and ending June 30, 2002, the following amount to be used for the purpose designated:

For state appeal board claims under sections 25.2 and 669.11:  
 ..... \$ 1,500,000

Sec. 20. VICTIM COMPENSATION FUND — UNEMPLOYMENT COMPENSATION. Notwithstanding section 915.94, there is transferred from the victim compensation fund created in section 915.94 to the unemployment compensation account under the control of the department of revenue and finance for the fiscal year beginning July 1, 2001, and ending June 30, 2002, the following amount to be used for the purpose designated:

For payment of state employee unemployment compensation claims:  
 ..... \$ 1,000,000

Sec. 21. ENVIRONMENT FIRST FUND — PERFORMANCE OF DUTY. Notwithstanding section 8.57A, subsection 3, there is transferred from the environment first fund created in section 8.57A to the executive council for the fiscal year beginning July 1, 2001, and ending June 30, 2002, the following amount to be used for the purpose designated:

For performance of duty under section 7D.29, section 18.12, and section 29C.20:  
 ..... \$ 100,000

Sec. 22. TERMINAL LIABILITY HEALTH INSURANCE FUND — PERFORMANCE OF DUTY. Notwithstanding section 421.46, subsection 3, there is transferred from the terminal liability health insurance fund created in section 421.46 to the executive council for the fiscal year beginning July 1, 2001, and ending June 30, 2002, the following amount to be used for the purpose designated:

For performance of duty under section 7D.29, section 18.12, and section 29C.20:  
 ..... \$ 300,000

Sec. 23. VALUE-ADDED AGRICULTURAL PRODUCTS — ELDERLY AND DISABLED PROPERTY TAX CREDIT. Notwithstanding section 15E.112, subsection 1, there is transferred from the value-added agricultural products and processes financial assistance fund created in section 15E.112 to the elderly and disabled property tax credit and reimbursement fund created in section 425.39 for the fiscal year beginning July 1, 2001, and ending June 30, 2002, the following amount to be used for the purpose designated:

For payment of renters' claims for the fiscal year beginning July 1, 2001, under the elderly and disabled credit and reimbursement portion of the extraordinary property tax and reimbursement division of chapter 425:  
 ..... \$ 250,000

Sec. 24. TERMINAL LIABILITY HEALTH INSURANCE FUND — ELDERLY AND DISABLED PROPERTY TAX CREDIT. Notwithstanding section 421.46, subsection 3, there is transferred from the terminal liability health insurance fund created in section 421.46 to the elderly and disabled property tax credit and reimbursement fund created in section 425.39 for the fiscal year beginning July 1, 2001, and ending June 30, 2002, the following amount to be used for the purpose designated:

For payment of renters' claims for the fiscal year beginning July 1, 2001, under the elderly and disabled credit and reimbursement portion of the extraordinary property tax and reimbursement division of chapter 425:  
 ..... \$ 180,000

DIVISION IV  
 RESERVE FUNDS

Sec. 25. Section 8.55, subsection 2, paragraph a, as enacted by 2002 Iowa Acts, House File 2075,<sup>3</sup> section 1, is amended to read as follows:

a. The maximum balance of the fund is the amount equal to ~~five~~ two and one-half percent of the adjusted revenue estimate for the fiscal year. If the amount of moneys in the Iowa economic emergency fund is equal to the maximum balance, moneys in excess of this amount shall be transferred to the general fund.

Sec. 26. Section 8.55, subsection 2, paragraphs c and d, as enacted by 2002 Iowa Acts, House File 2075,<sup>4</sup> section 1, are amended to read as follows:

c. Notwithstanding paragraph "a", any moneys in excess of the maximum balance in the economic emergency fund after the distribution of the surplus in the general fund of the state at the conclusion of each fiscal year and after the appropriate amount has been transferred pursuant to paragraph "b", shall not be transferred to the general fund of the state but shall be transferred to the senior living trust fund. The total amount transferred, in the aggregate, under this paragraph for all fiscal years shall not exceed ~~thirty-five~~ fifty-one million five hundred thousand dollars.

d. Notwithstanding paragraph "a", any moneys in excess of the maximum balance in the economic emergency fund after the distribution of the surplus in the general fund of the state at the conclusion of each fiscal year and after the appropriate amount have been transferred pursuant to paragraphs "b" and "c" shall not be transferred to the general fund of the state but shall be transferred to the endowment for Iowa's health account of the tobacco settlement trust

<sup>3</sup> 2002 Iowa Acts, Regular Session, chapter 1169 herein

<sup>4</sup> 2002 Iowa Acts, Regular Session, chapter 1169 herein

fund. The total amount transferred, in the aggregate, under this paragraph for all fiscal years shall not exceed the difference between ~~fifty-one~~ sixty million five hundred thousand dollars and the amounts transferred to the endowment for Iowa's health account to repay the amounts transferred or appropriated from the endowment for Iowa's health account in 2002 Iowa Acts, House File 2245,<sup>5</sup> 2002 Iowa Acts, Senate File 2304,<sup>6</sup> and 2002 Iowa Acts, Senate File 2315,<sup>7</sup> and 2002 Iowa Acts, Second Extraordinary Session, House File 2627.<sup>8</sup>

Sec. 27. Section 8.56, subsection 4, paragraph b, Code Supplement 2001, is amended to read as follows:

b. In addition to the requirements of paragraph "a", an appropriation shall not be made from the cash reserve fund which would cause the fund's balance to be less than three ~~and three-fourths~~ percent of the adjusted revenue estimate for the year for which the appropriation is made unless the bill or joint resolution is approved by vote of at least three-fifths of the members of both chambers of the general assembly and is signed by the governor.

Sec. 28. Section 8.57, subsection 1, paragraph a, Code Supplement 2001, is amended to read as follows:

a. The "cash reserve goal percentage" for fiscal years beginning on or after July 1, ~~1995~~ 2003, is ~~five~~ seven and one-half percent of the adjusted revenue estimate. For each fiscal year beginning on or after July 1, ~~1995~~ 2003, in which the appropriation of the surplus existing in the general fund of the state at the conclusion of the prior fiscal year pursuant to paragraph "b" was not sufficient for the cash reserve fund to reach the cash reserve goal percentage for the current fiscal year, there is appropriated from the general fund of the state an amount to be determined as follows:

(1) If the balance of the cash reserve fund in the current fiscal year is not more than ~~four~~ six and one-half percent of the adjusted revenue estimate for the current fiscal year, the amount of the appropriation under this lettered paragraph is one percent of the adjusted revenue estimate for the current fiscal year.

(2) If the balance of the cash reserve fund in the current fiscal year is more than ~~four~~ six and one-half percent but less than ~~five~~ seven and one-half percent of the adjusted revenue estimate for that fiscal year, the amount of the appropriation under this lettered paragraph is the amount necessary for the cash reserve fund to reach ~~five~~ seven and one-half percent of the adjusted revenue estimate for the current fiscal year.

(3) The moneys appropriated under this lettered paragraph shall be credited in equal and proportionate amounts in each quarter of the current fiscal year.

Sec. 29. Section 8.57, subsection 5, paragraph b, Code Supplement 2001, is amended to read as follows:

b. Moneys in the infrastructure fund are not subject to section 8.33. Notwithstanding section 12C.7, subsection 2, interest or earnings on moneys in the infrastructure fund shall be credited to the infrastructure fund. Moneys in the infrastructure fund may be used for cash flow purposes during a fiscal year provided that any moneys so allocated are returned to the infrastructure fund by the end of that fiscal year.

Sec. 30. Section 249H.4, subsection 4, Code 2001, as amended by 2002 Iowa Acts, Senate File 2201,<sup>9</sup> section 26, is amended to read as follows:

4. The trust fund shall be operated in accordance with the guidelines of the centers for Medicare and Medicaid services of the United States department of health and human services. The trust fund shall be separate from the general fund of the state and shall not be considered part of the general fund of the state. The moneys in the trust fund shall not be considered revenue of the state, but rather shall be funds of the senior living program. The moneys deposited in the trust fund are not subject to section 8.33 and shall not be transferred,

<sup>5</sup> 2002 Iowa Acts, Regular Session, chapter 1165 herein

<sup>6</sup> 2002 Iowa Acts, Regular Session, chapter 1166 herein

<sup>7</sup> 2002 Iowa Acts, Regular Session, chapter 1167 herein

<sup>8</sup> Chapter 1003 herein

<sup>9</sup> 2002 Iowa Acts, Regular Session, chapter 1050 herein

used, obligated, appropriated, or otherwise encumbered, except to provide for the purposes of this chapter. Moneys in the trust fund may be used for cash flow purposes during a fiscal year provided that any moneys so allocated are returned to the trust fund by the end of that fiscal year. Notwithstanding section 12C.7, subsection 2, interest or earnings on moneys deposited in the trust fund shall be credited to the trust fund.

Sec. 31. NEW SECTION. 249H.4A PENDING SENIOR LIVING TRUST FUND.

A pending senior living trust fund is created in the state treasury under the authority of the department of human services. Moneys received through intergovernmental agreements for the senior living program but not yet available for appropriation are to be deposited into this fund. When the moneys are determined to be available for appropriation, they shall be transferred to the senior living trust fund established in section 249H.4. Moneys in the fund may be used for cash flow purposes during the fiscal year provided that any moneys so allocated are returned to the fund by the end of that fiscal year.

Sec. 32. USE OF REVERSIONS. Notwithstanding section 8.62, if on June 30 of fiscal year 2001-2002 or fiscal year 2002-2003, a balance of an operational appropriation, as defined in section 8.62, remains unexpended or unencumbered, the balance shall revert to the general fund of the state as provided in section 8.33.

Sec. 33. EFFECTIVE DATE — APPLICABILITY. The amendments to the following designated Code provisions in this division of this Act take effect July 1, 2003:

1. Section 8.55, subsection 2, paragraph “a”.
2. Section 8.56, subsection 4, paragraph “b”.
3. Section 8.57, subsection 1, paragraph “a”.

DIVISION V  
OTHER MEDICAL ASSISTANCE PROGRAM PROVISIONS

\*Sec. 34. NEW SECTION. 249A.9 REPORTING REQUIREMENTS — PHARMACEUTICAL COPAYMENT.

1. *The department shall require applicants for or recipients of medical assistance to report, on a monthly basis, changes in income or resources that affect eligibility.*
2. *The department shall require recipients of medical assistance to pay the following copayment on each covered drug prescription, including each refill as follows:*
  - a. *A copayment of one dollar for each covered generic drug prescription.*
  - b. *A copayment of one dollar for each covered brand-name drug prescription for which the cost to the state is less than twenty-five dollars.*
  - c. *A copayment of two dollars for each covered brand-name drug prescription for which the cost to the state is between twenty-five dollars and fifty dollars.*
  - d. *A copayment of three dollars for each covered brand-name drug prescription for which the cost to the state is over fifty dollars.\**

DIVISION VI  
OTHER PROVISIONS

Sec. 35. Section 12E.12, subsection 8, if enacted by 2002 Iowa Acts, Second Extraordinary Session, House File 2627,<sup>10</sup> section 229, is amended to read as follows:

8. With respect to the payment of certain debt service, the debt service to be paid shall be those installments of debt service on bonds selected by the treasurer of state and identified in the authority’s tax certificate delivered at the time of the issuance of the bonds issued pursuant to this chapter, or as otherwise selected by the treasurer of state. Once the bonds and the installments of debt service thereon are so selected, that debt service and bonds shall not be paid, or provided to be paid, from any other source including the state or any of its departments or

\* Item veto; see message at end of the Act

<sup>10</sup> Chapter 1003 herein

agencies. Provided, however, that if funds are not appropriated to pay debt service on such bonds when due, the issuing agency shall pay such debt service from any available source as provided in the bond covenants for such bonds.

Sec. 36. NEW SECTION. 249A.21 INTERMEDIATE CARE FACILITIES FOR PERSONS WITH MENTAL RETARDATION — ASSESSMENT.

1. The department may assess intermediate care facilities for persons with mental retardation, as defined in section 135C.1, that are not operated by the state, a fee in an amount not to exceed six percent of the total annual revenue of the facility for the preceding fiscal year.

2. The assessment shall be paid to the department in equal monthly amounts on or before the fifteenth day of each month. The department may deduct the monthly amount from medical assistance payments to a facility described in subsection 1. The amount deducted from payments shall not exceed the total amount of the assessments due.

3. Revenue from the assessments shall be credited to the state medical assistance appropriation. This revenue may be used only for services for which federal financial participation under the medical assistance program is available to match state funds.

4. If federal financial participation to match the assessments made under subsection 1 becomes unavailable under federal law, the department shall terminate the imposing of the assessments beginning on the date that the federal statutory, regulatory, or interpretive change takes effect.

5. The department of human services may procure a sole source contract to implement the provisions of this section.

*\*Sec. 37. Section 257.8, subsection 1, Code Supplement 2001, as amended by 2002 Iowa Acts, Senate File 2315, section 1, and 2002 Iowa Acts, Senate File 2328, section 1, is amended to read as follows:*

1. *STATE PERCENT OF GROWTH. The state percent of growth for the budget year beginning July 1, 2002, is one percent. The state percent of growth for the budget year beginning July 1, 2003, is two percent. The state percent of growth for each subsequent budget year shall be established by statute which shall be enacted ~~within thirty days of the submission~~ in the year preceding the base year of the governor's budget under section 8.21. The establishment of the state percent of growth for a budget year shall be the only subject matter of the bill which enacts the state percent of growth for a budget year.\**

Sec. 38. 2001 Iowa Acts, chapter 188, section 13, is amended to read as follows:

SEC. 13. TOURISM OPERATIONS. There is appropriated from the community attraction and tourism fund created in section 15F.204 to the department of economic development for the fiscal year beginning July 1, 2001, and ending June 30, 2002, the following amount, or so much thereof as is necessary, to be used for the purposes designated:

For tourism operations, including salaries, support, maintenance, and miscellaneous purposes:

..... \$ 1,200,000

Moneys appropriated in this section shall not be appropriated from those moneys in the community attraction and tourism fund that originate from the tax-exempt bond proceeds restricted capital funds account of the tobacco settlement trust fund.

Sec. 39. UNITED STATES MARSHAL'S SERVICE. For the fiscal year beginning July 1, 2002, regular per diem reimbursement costs billed by the department of corrections to the United States marshal's service for holding detainees shall be deposited entirely into the general fund of the state. However, for the fiscal year beginning July 1, 2002, extraordinary costs, including but not limited to medical costs, billed over the regular daily per diem rate shall be used by the department of corrections to offset the actual costs incurred.

\* Item veto; see message at end of the Act

Sec. 40. DUPLICATIVE POSITIONS — VACANT POSITIONS — EDUCATIONAL ASSISTANCE.

\*1. *It is the intent of the general assembly that in implementing the provisions of 2002 Iowa Acts, Second Extraordinary Session, House File 2627, section 13, subsection 2, if enacted, the department of personnel shall focus on duplicative job functions in the agencies of the executive branch of state government other than those institutions under the control of the state board of regents. For the institutions under the state board of regents, the state board of regents shall perform the duties required of the department of personnel and shall report to the oversight committee of the legislative council in accordance with 2002 Iowa Acts, Second Extraordinary Session, House File 2627, section 13, subsection 2.\**

2. In implementing the requirements of 2002 Iowa Acts, Second Extraordinary Session, House File 2627,<sup>11</sup> section 214, if enacted, relating to vacant positions, the department of management shall address table of organization changes other than those relating to the institutions under the control of the state board of regents. Table of organization changes relating to the institutions under the control of the state board of regents shall be implemented by the state board of regents.

\*3. *In implementing the requirements of 2002 Iowa Acts, Second Extraordinary Session, House File 2627, section 215, if enacted, relating to educational assistance, the department of management shall ensure compliance for executive branch agencies other than those involving the institutions under the control of the state board of regents. Implementation of a restriction on subsidy or reimbursement for a class or other course of study leading to an advanced degree for an employee of an institution under the control of the state board of regents shall be as determined by the state board of regents.\**

Sec. 41. PROGRAM ELIMINATION COMMISSION. 2002 Iowa Acts, Second Extraordinary Session, House File 2627,<sup>12</sup> section 217, subsection 2, paragraph a, if enacted, is amended by striking the paragraph and inserting in lieu thereof the following:

- a. A voting member appointed by the legislative council.

\*Sec. 42. STATE LIBRARY REDUCTION — STATE MEDICAL LIBRARY CONTINUATION TASK FORCE.

1. *Funds appropriated to the department of education for purposes of the state library pursuant to 2002 Iowa Acts, Senate File 2326, section 79, subsection 5, paragraph "a", as reduced by House File 2627, section 87, are further reduced by the amount of \$108,000. The state library shall apply the reduction to the state medical library.*

2. *It is the intent of the general assembly to eliminate, or remove from the authority of the state library, the state medical library. A state medical library continuation task force is established to determine whether the citizens of this state will continue to benefit from the state medical library, and if so, where the state medical library should be relocated. If the task force recommends relocation of the state medical library, it is the intent of the general assembly that the state medical library continue to be available for free use by the residents of Iowa, give no preference to any school of medicine, and secure books, periodicals, pamphlets, and electronic textbooks, including but not limited to computer software, applications using computer-assisted instruction, interactive videodisc, and other computer courseware and magnetic media for every legally recognized school of medicine without discrimination. If the task force finds and recommends elimination of the state medical library, the task force shall propose a plan for distribution of the assets of the state medical library. The task force shall consist of the state librarian or the state librarian's designee, and a representative of the state board of regents, the Iowa medical society, the Iowa hospital association, and the osteopathic medical association. The state librarian shall serve as chairperson. Meetings shall be held at the call of the chairperson or a majority of the members of the task force. At any meeting of the task force, a majority of the members shall constitute a quorum. The task force shall submit its recommendation for continuation or elimination of the state medical library, and any plan for distribution of state medical library assets, in a report to the chairpersons and ranking members*

\* Item veto; see message at end of the Act

<sup>11</sup> Chapter 1003 herein

<sup>12</sup> Chapter 1003 herein

*of the senate and house standing committees on education and the joint appropriations subcommittee on education by December 1, 2002. \**

Sec. 43. 2002 Iowa Acts, Second Extraordinary Session, House File 2627,<sup>13</sup> section 221, if enacted, is amended to read as follows:

SEC. 221. IMPLEMENTATION OF FURLOUGHS. ~~Furloughs~~ It is the intent of the general assembly that furloughs implemented pursuant to this division shall not be implemented in a manner which results in more than 25 percent of the workforce within an agency division being on furlough at the same time. However, if implementation of this section would conflict with existing law or a collective bargaining agreement, the agency shall take every step possible to minimize the impact on the agency's customers and the public. The agency shall work with representatives of affected businesses to develop a plan for meeting the businesses' needs during a furlough period and when other funding reductions are implemented.

Sec. 44. 2002 Iowa Acts, House File 2614,<sup>14</sup> section 2, unnumbered paragraph 2, as amended by 2002 Iowa Acts, Second Extraordinary Session, House File 2627,<sup>15</sup> section 226, if enacted, is amended to read as follows:

For allocation by the state board of regents to the state university of Iowa, the Iowa state university of science and technology, and the university of northern Iowa to reimburse the institutions for deficiencies in their operating funds resulting from the pledging of tuitions, student fees and charges, and institutional income to finance the cost of providing academic and administrative buildings and facilities and utility services at the institutions, notwithstanding section 12E.12, subsection 1, paragraph "b", subparagraph (1):

|       |    |                   |
|-------|----|-------------------|
| ..... | \$ | 9,127,635         |
|       |    | <u>10,503,733</u> |

Sec. 45. MEDICAL ASSISTANCE REDUCTION. The appropriation made in 2002 Iowa Acts, Second Extraordinary Session, House File 2627,<sup>16</sup> from the general fund of the state for medical assistance reimbursement and associated costs for the fiscal year beginning July 1, 2002, and ending June 30, 2003, is reduced by the following amount:

|       |    |           |
|-------|----|-----------|
| ..... | \$ | 3,700,000 |
|-------|----|-----------|

Sec. 46. EFFECTIVE DATE. This division of this Act takes effect July 1, 2002, except for the provision of this division amending 2001 Iowa Acts, chapter 188, section 13, relating to tourism operations, which, being deemed of immediate importance, takes effect upon enactment.

DIVISION VII  
COOPERATIVE TAX CREDITS

Sec. 47. Section 15.333, subsections 1 and 2, Code Supplement 2001, as amended by 2002 Iowa Acts, Senate File 2275,<sup>17</sup> section 5, are amended to read as follows:

1. An eligible business may claim a corporate tax credit up to a maximum of ten percent of the new investment which is directly related to new jobs created by the location or expansion of an eligible business under the program. Any credit in excess of the tax liability for the tax year may be credited to the tax liability for the following seven years or until depleted, whichever occurs earlier. Subject to prior approval by the department of economic development in consultation with the department of revenue and finance, an eligible business whose project primarily involves the production of value-added agricultural products may elect to receive a refund of all or a portion of an unused tax credit. For purposes of this section, an eligible business includes a cooperative described in section 521 of the Internal Revenue Code which is not required to file an Iowa corporate income tax return, and whose project primarily involves the

\* Item veto; see message at end of the Act

<sup>13</sup> Chapter 1003 herein

<sup>14</sup> 2002 Iowa Acts, Regular Session, chapter 1173 herein

<sup>15</sup> Chapter 1003 herein

<sup>16</sup> Chapter 1003 herein

<sup>17</sup> 2002 Iowa Acts, Regular Session, chapter 1119 herein

production of ethanol. The refund may be used against a tax liability imposed under chapter 422, division II, III, or V. If the business is a partnership, S corporation, limited liability company, cooperative organized under chapter 501 and filing as a partnership for federal tax purposes, or estate or trust electing to have the income taxed directly to the individual, an individual may claim the tax credit allowed. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of the partnership, S corporation, limited liability company, cooperative organized under chapter 501 and filing as a partnership for federal tax purposes, or estate or trust.

PARAGRAPH DIVIDED. For purposes of this section, "new investment directly related to new jobs created by the location or expansion of an eligible business under the program" means the cost of machinery and equipment, as defined in section 427A.1, subsection 1, paragraphs "e" and "j", purchased for use in the operation of the eligible business, the purchase price of which has been depreciated in accordance with generally accepted accounting principles, and the cost of improvements made to real property which is used in the operation of the eligible business.

2. An eligible business whose project primarily involves the production of value-added agricultural products, that elects to receive a refund of all or a portion of an unused tax credit, shall apply to the department of economic development for tax credit certificates. An eligible business whose project primarily involves the production of value-added agricultural products shall not claim a tax credit under this section unless a tax credit certificate issued by the department of economic development is attached to the taxpayer's tax return for the tax year for which the tax credit is claimed. For purposes of this section, an eligible business includes a cooperative described in section 521 of the Internal Revenue Code which is not required to file an Iowa corporate income tax return, and whose project primarily involves the production of ethanol. For purposes of this section, an eligible business also includes a cooperative described in section 521 of the Internal Revenue Code which is required to file an Iowa corporate income tax return and whose project primarily involves the production of ethanol. Such cooperative may elect to transfer all or a portion of its tax credit to its members. The amount of tax credit transferred and claimed by a member shall be based upon the pro rata share of the member's earnings of the cooperative.

PARAGRAPH DIVIDED. A tax credit certificate shall not be valid until the tax year following the date of the project completion. A tax credit certificate shall contain the taxpayer's name, address, tax identification number, the date of project completion, the amount of the tax credit, and other information required by the department of revenue and finance. The department of economic development shall not issue tax credit certificates which total more than four million dollars during a fiscal year. If the department receives applications for tax credit certificates in excess of four million dollars, the applicants shall receive certificates for a prorated amount. The tax credit certificates shall not be transferred except as provided in this subsection for a cooperative described in section 521 of the Internal Revenue Code which is required to file an Iowa corporate income tax return and whose project primarily involves the production of ethanol. For a cooperative described in section 521 of the Internal Revenue Code ~~that is not required to file an Iowa corporate income tax return~~, the department of economic development shall require that the cooperative submit a list of its members and the share of each member's interest in the cooperative. The department shall issue a tax credit certificate to each member contained on the submitted list.

Sec. 48. Section 15E.193C, subsection 7, paragraph a, Code Supplement 2001, is amended to read as follows:

a. An eligible development business may claim a tax credit up to a maximum of ten percent of the new investment that is directly related to the construction, expansion, or rehabilitation of building space to be used for manufacturing, processing, cold storage, distribution, or office facilities. For purposes of this section, "new investment" includes the purchase price of land and the cost of improvements made to real property. The tax credit may be claimed by an eligible development business for the tax year in which the construction, expansion, or reha-

bilitation is completed. The tax credit may be used to reduce the tax liability imposed under chapter 422, division II, III, or V, or chapter 432. Any credit in excess of the tax liability for the tax year may be credited to the tax liability for the following seven years or until depleted, whichever occurs earlier. If the business is a partnership, S corporation, limited liability company, cooperative organized under chapter 501 and filing as a partnership for federal tax purposes, or estate or trust electing to have the income taxed directly to the individual, an individual may claim the tax credit allowed. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of the partnership, S corporation, limited liability company, cooperative organized under chapter 501 and filing as a partnership for federal tax purposes, or estate or trust.

Sec. 49. APPLICABILITY DATE. This division of this Act applies retroactively to January 1, 2002, for tax years beginning on or after that date.

DIVISION VIII  
SICK LEAVE AND VACATION INCENTIVE PROGRAM EXTENSION

Sec. 50. SICK LEAVE AND VACATION INCENTIVE PROGRAM — FISCAL YEAR 2002-2003.

1. As used in this section, unless the context provides otherwise:

a. "Credited service" means service under the Iowa public employees' retirement system, as service is defined in section 97B.1A, and membership service under the public safety peace officers' retirement, accident, and disability system, as defined in section 97A.1.

b. "Eligible employee" means an employee for which, but for participation in the program, the sum of the number of years of credited service and the employee's age in years as of December 31, 2003, equals or exceeds seventy-five.

c. "Employee" means an employee of the executive branch of the state who is not covered by a collective bargaining agreement, including an employee of a judicial district department of correctional services if the district elects to participate in the program, an employee of the state board of regents if the board elects to participate in the program, an employee of the judicial branch if the judicial branch elects to participate in the program, and an employee of the department of justice. However, "employee" does not mean an elected official.

d. "Participant" means a person who timely submits an election to participate, and does participate, in the sick leave and vacation incentive program established under this section.

e. "Program" means the sick leave and vacation incentive program established under this section.

f. "Regular annual salary" means an amount equal to the eligible employee's regular bi-weekly rate of pay as of the date of separation from employment multiplied by twenty-six.

g. "Sick leave and vacation incentive benefit" means an amount equal to the entire value of an eligible employee's accumulated but unused vacation plus the lesser of the entire value of the eligible employee's accumulated and unused sick leave or the employee's regular annual salary.

2. To become a participant in the program, an eligible employee shall do all of the following:

a. Submit by August 14, 2002, a written application, on forms prescribed by the department of personnel, seeking participation in the program.

b. Agree to waive any and all rights to receive payments of sick leave balances under section 70A.23 and accrued vacation balances in a form other than as provided in this section.

c. Agree to waive all rights to file suit against the state of Iowa, including all of its departments, agencies, and other subdivisions, based on state or federal claims arising out of the employment relationship.

d. Acknowledge, in writing, that participation in the program waives any right to accept permanent part-time or permanent full-time employment with the state other than as an elected official on or after August 15, 2002.

e. Agree to separate from employment with the state by August 15, 2002.

3. Upon acceptance to participate in the program and separation from employment with the state by August 15, 2002, a participant shall receive a sick leave and vacation incentive benefit. The state shall pay to the participant a portion of the sick leave and vacation incentive benefit each fiscal year for a period of five years commencing with the fiscal year ending June 30, 2003.

4. The department of personnel shall administer the program, including the determination of eligibility for participation in the program, and shall adopt administrative rules to administer the program. The department may adopt rules on an emergency basis under section 17A.4, subsection 2, and section 17A.5, subsection 2, paragraph "b", to implement this section and the rules shall be effective immediately upon filing unless a later date is specified in the rules.

5. The legislative council shall provide an incentive program for employees of the legislative branch consistent with the program provided in this section for executive branch employees. The legislative council shall collaborate with the department of personnel to establish the program as required under this subsection. The program provided pursuant to this subsection shall establish the same time guidelines and benefit calculations as provided under the program for executive branch employees.

Sec. 51. EARLY TERMINATION PROGRAMS — MISCELLANEOUS PROVISIONS.

1. DEFINITIONS. For purposes of this section, unless the context otherwise requires:

a. "Early termination participant" means an eligible state employee who participates in an early termination program.

b. "Early termination program" means a sick leave and vacation incentive program as established or required in this Act and the similar early termination program established for state employees as established pursuant to a collective bargaining agreement entered into pursuant to chapter 20.

2. GROUP INSURANCE ELIGIBILITY. An early termination participant shall be eligible to continue participation in the group plan or under the group contract at the early termination participant's own expense in the same manner as a retired employee pursuant to section 509A.13. In addition, an early termination participant shall be deemed an eligible retired state employee for purposes of eligibility for continuation of group insurance covering spouses as provided in section 509A.13A.

3. RELEASE OF RECORDS. Notwithstanding any provision of chapter 22 or section 97B.17 to the contrary, records of the department of personnel maintained for the operation of the Iowa public employees' retirement system may be released to the directors, agents, and employees of the legislative fiscal bureau, the department of revenue and finance, the department of management, and the department of personnel, for the purposes of administering and monitoring an early termination program. A person receiving a record pursuant to this subsection shall maintain the confidentiality of any information otherwise required to be kept confidential and shall be subject to the same penalties as the custodian of the records for the public dissemination of such information. The authority to request a record as provided pursuant to this subsection shall cease June 30, 2003.

4. REPORTING REQUIREMENTS. The department of personnel, in collaboration with the department of management, shall present a report by October 1, 2002, concerning the operation of early termination programs as provided in this Act. The reports shall be submitted in conjunction with the reports required to be submitted by the department of personnel pursuant to 2001 Iowa Acts, Second Extraordinary Session, chapter 5, section 4. The department shall also submit an annual update concerning early termination programs as provided in this Act by October 1 of each year for four years, commencing October 1, 2003. The reports shall include information concerning the number of early termination program participants, the cost of the early termination program including any payments made to participants, the number of state employment positions eliminated pursuant to an early termination program, the number of positions vacated by an early termination program participant that have been re-filled, and the savings to the state based upon the early termination program.

5. SAVINGS. a. For an executive branch position vacated by an early termination participant pursuant to an early termination program, the savings from that termination, as deter-

mined by the department of management, shall offset amounts that would otherwise be reduced from the appropriation to the executive branch department or establishment that employed the participant due to the implementation of a furlough program. The moneys saved by the department or establishment due to the termination would then be used by the department or establishment to reduce or end the furlough program as it would otherwise apply to the employees of that department or establishment, to the extent of the savings. If savings in excess of the amounts reduced by the department of management for the applicable executive branch department or establishment are received, and the furlough program for that department or establishment ceases, those moneys shall not revert to the general fund but shall be transferred to the applicable executive branch department or establishment for personnel costs which shall not be expended for personnel costs without prior approval of the department of management.

b. For a judicial or legislative branch position vacated by an early termination participant pursuant to an early termination program, the savings from that termination, as determined by the judicial or legislative branch as applicable, shall offset amounts that would otherwise be reduced from the appropriation to the legislative or judicial branch that employed the participant due to the implementation of a furlough program. The moneys saved by the legislative or judicial branch due to the termination would then be used by the branch to reduce or end the furlough program as it would otherwise apply to the employees of that branch, to the extent of the savings.

6. ACROSS-THE-BOARD WAGE INCREASE DELAY. If an employee organization representing state employees agrees to an across-the-board wage increase delay as provided in this subsection and to participate in an early termination program as provided in this Act, then any across-the-board wage increases for employees of the same state employer, who are not covered by a collective bargaining agreement, which would otherwise take effect at the beginning of the pay period in which July 1, 2002, falls, shall be delayed until the pay period in which November 1, 2002, falls.

#### DIVISION IX EFFECTIVE DATE

Sec. 52. EFFECTIVE DATE. Unless otherwise provided, this Act, being deemed of immediate importance, takes effect upon enactment.

*Approved June 4, 2002, with exceptions noted.*

THOMAS J. VILSACK, *Governor*

Dear Secretary Culver:

I hereby transmit House File 2625, an Act addressing public funding provisions and properly related matters by making, reducing, and transferring appropriations, adjusting other expenditures for the fiscal year beginning July 1, 2001, and including other appropriations, cooperative tax credits, and effective and retroactive applicability date provisions.

With the Revenue Estimating Conference's recent action to decrease general fund resources available to the State by \$205.5 million in fiscal year 2002, I took responsible action in calling a special session to take the necessary steps to balance the budget. House File 2625 is the result of a plan that I worked with legislators in developing to solve the budget shortfall for the current year. The plan included a series of funding transfers that allow us to continue to provide the priority services of Iowans.

However, the bill has several provisions which I cannot support. I oppose the Republicans' continuous assault on our senior citizens by attempting to raise prescription drug costs on Iowans in need. I have vetoed their attempt to double the copayments on prescription drugs

in the past, and I will do so again. I also cannot support the Republicans' plan to add an unnecessary, burdensome layer of bureaucracy and cost to the delivery of medical assistance. The burdens created for some Iowa families and seniors are simply unacceptable.

House File 2625 is, therefore, signed on this date with the following exceptions, which I hereby disapprove.

I am unable to approve Division V, Section 34 in its entirety. This provision would increase the cost of prescription drugs for Iowans most in need. This, in effect, is a tax on a group — aged, blind, disabled, children, caretakers with very little or no income. Additionally, if the individuals do not have the funds, the pharmacist is required to dispense the drug anyway. This requires pharmacists to subsidize the costs and creates an additional reluctance on the part of pharmacists to handle Medicaid patients.

Section 34 would also require additional bureaucracy and associated costs by calling for monthly reporting requirements for those who experience a change in income, mailing address, household composition, or health insurance. In doing so, the Legislature would be creating an additional layer of bureaucracy, and an additional layer of cost to process the monthly reports. This new bureaucratic requirement is particularly unnecessary, considering the Department of Human Services already requires Iowans in need who receive medical assistance to report changes in such factors.

I am unable to approve Section 37. This section removes the requirement that the Legislature establish the state percent of allowable growth in funding for our local school districts within the first 30 days of a legislative session. This provision was developed to ensure the State's commitment to education was made up front and did not get bogged down in last minute budget negotiations and to provide adequate planning time for school districts. Now, more than ever, when education is our state's top priority, we must maintain that commitment to our local schools.

I am unable to approve Section 40, subsection 1. This section requires the departments of personnel to identify duplicative job responsibilities throughout state government and report these positions to the Oversight Committee. These determinations on an enterprise-wide basis are already being done.

I am unable to approve Section 40, subsection 3. This Administration has made every attempt to provide quality educational opportunities for all Iowans. This section denies the opportunity for state workers to access educational assistance. With a shrinking state workforce, it is more important than ever to make sure the remaining professionals have the training and education they need to effectively serve Iowans. I believe this option should be maintained.

I am unable to approve Section 42. This section eliminates state funding to the State Medical Library. The Legislature had intended to shift this funding from the Medical Library to the Department of Cultural Affairs for cultural grants, but the bill failed to complete the transfer. While the Republican Legislature eliminates the Medical Library funding, they also establish a task force charged with determining whether to continue the State Medical Library; and if so, where it should be located. The Medical Library provides essential educational materials and diagnostic and research searches for health professionals and students. Closing this valuable resource for many Iowans is shortsighted and unnecessary.

For the above reasons, I respectfully disapprove these items in accordance with Amendment IV of the Amendments of 1968 to the Constitution of the State of Iowa. All other items in House File 2625 are hereby approved as of this date.

Sincerely,  
THOMAS J. VILSACK, *Governor*